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AICPA *Washington Report*

May 20, 1974
Volume II, Issue 31

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AGRICULTURE, DEPARTMENT OF

A summary of S. 2837, the Futures Exchange Act, as sponsored by Sens. Hart, Scott (R-Pa.), Clark and Case appears in the 5/9/74 Cong. Record, p. S7550. This bill creates an independent regulatory agency to regulate futures trading. The provisions are modeled after those establishing existing regulatory agencies such as the SEC and the FTC.

FEDERAL ENERGY ADMINISTRATION

The Federal Trade Commission has endorsed the staff study on the effectiveness of the emergency petroleum allocation program concurring with its assessment that the program was "of limited effectiveness" due in part to the law itself as well as the administration by the FEO which, as of the end of February, "had yet to develop an enduring and effective means of managing short term shortages of petroleum supplies". Among its recommendations is that the quality of energy information available to the government could be improved by assigning to one federal agency the responsibility and necessary authority for gathering information "on all aspects of the entire energy industry, including reserves of oil, natural gas, coal, and uranium". Copies of the Commission's recommendations and the staff report are available by contacting the FTC's Office of Public Information at 202/962-7144.

Proposed rules affecting the accounting methods used by some U.S. oil importers have been issued for comment. These proposed new regulations, if adopted, will insure that there is a proper measurement of costs of intra-corporate transfers of imported crude oil and will better protect the consumer against unduly high prices. The new regulations specifically address the question of "transfer prices," the prices charged for imported oil in transactions between affiliated companies.

Based on preliminary information received from refinery audits now in progress, FEO has concluded that certain firms may be using accounting procedures which do not accurately reflect costs. The proposed rules will be printed in today's (5/20/74) issue of the Fed. Reg. A 30-day period for comments has been authorized.

FEDERAL TRADE COMMISSION

The General Accounting Office has given its "approval" to the FTC's LB reporting requirement. Nonetheless, the GAO did make its decision subject to 3 provisions: (1) approval is limited to the initial round of reports, (2) that the FTC conduct "intensive discussions" with businessmen to advance the ease and accuracy of the reporting process, and (3) that the FTC explore with other agencies the possibility of coordinating the data collection.

FTC Chairman Engman in a letter to Sen. Hart, one of the advocates for the LB reporting requirement, indicated that the Commission did not feel that the GAO's recommendations should be construed as conditions precedent to future implementation of the program.

HEALTH, EDUCATION AND WELFARE, DEPARTMENT OF

Legislation extending the area health services planning, development, and regulation programs is reaching final markup stage. The bill, HR 14409, sponsored by Rep. Bill Roy (D-Kans.) is a major revision of the legislation. There are requirements for audits by independent CPAs of the Federal funds provided in the program. In addition, a GAO report (B-164031) of 4/18/74 entitled "Comprehensive Health Planning as Carried Out by State and Area Wide Agencies in Three States" contains information about the federal program. Copies of the report are available through the GAO Reports Department; telephone 202/386-6594.

"The Community Services Act of 1974", (H.R.14449) which would in effect transfer to HEW from OEO, the community action program (CAP), as well as upgrade the minority business assistance program has been ordered reported and a final report (H93-1043) is now available. Copies may be obtained from the House Document Room. The bill provides for audits by CPAs and LPAs and contains provisions for the services of private firms to furnish "technical assistance" to minority businesses. No date for final action by the House has been set.

HOUSING AND URBAN DEVELOPMENT

The Community Development Act (HR 14490) is being handled by the full committee this week. Chairman Wright Patman (D-Tex.), in a memo to the committee members, stated that the markups will begin on Monday, May 20, with additional dates of Wed., 5/22 and Thurs., 5/23, available if needed. "We will meet at every available opportunity, including mornings, afternoons and evenings, as necessary to complete action on this bill", the Chairman stated. The bill contains a major revision of the community development program as originally implemented, providing considerable consolidation of the grants program as it exists.

INTERSTATE COMMERCE COMMISSION

The ICC has opposed the recommendation by Sen. Hartke to transfer some of its control over railroad and trucker securities to the SEC. Nonetheless, the Chairman under questioning from Sen. Hartke conceded that the ICC staff favors a switch to the SEC of securities regulation and stated that the Commissioners themselves were divided on the matter. Several years ago, Mr. Stafford had spoken out in favor of SEC control of securities. The bill, S. 3356, is similar to one passed by the House last year as part of the legislation reorganizing the northeast railroads,

but was deleted in a Senate-House conference. SEC Chairman Ray Garrett, Jr. testified Friday in favor of the added responsibilities for the SEC.

RENEGOTIATION BOARD

An 18-month extension of the Board's authority has been approved by the Committee on Ways and Means, and the bill (HR 14833) has been ordered to be reported to the full House. During hearings held last week before the Committee, Board Chairman William S. Whitehead and Congressman Henry Gonzalez (D-Tex.) advocated extension of the Board's current operations.

A legal services corporation bill (HR 7824) has been approved by the House on a vote of 227-143. Rep. Albert Quie (R-Minn.), a sponsor of the compromise legislation, said that the bill should be acceptable to the Administration. The bill creates an 11-member public corporation to administer a \$90 million Federal program under which people who cannot now afford to hire private lawyers could obtain advice from public lawyers to pursue their rights in court. Section 1009 requires that the accounts of the corporation shall be audited annually in accordance with GAAS by independent CPAs. General authority for recordkeeping requirements with respect to such funds provided by grants or contracts is also contained in the legislation.

SECURITIES AND EXCHANGE COMMISSION

Members of the Commission's Advisory Committee on the Implementation of a Central Market System have been selected. The Chairman is Mr. Alexander Yearley IV, Chairman of the Board and CEO of the Robinson-Humphrey Co., Inc., Atlanta, Ga. Kenneth S. Alexson, Vice President, Director of Finance and Administration and a Director of J.C. Penney Co., Inc., New York, and a former practicing CPA, was also named as one of the Committee's members.

Commissioner Evans spoke out in favor of subjecting banks to the same regulatory structure as other dealers in municipal securities, and not operate in this area under a different structure involving bank examining institutions. His remarks came during hearings before the Senate Banking Committee's Securities Subcommittee during its consideration of S. 2474, which would give the SEC jurisdiction over all dealers in municipal securities.

SMALL BUSINESS ADMINISTRATION

"Basic Budgets for Profit Planning" is the title of another Management Aid for Small Manufacturers which was prepared by the SBA. The purpose of this aid is to set forth a simple framework of various budgets. Readers who wish to explore various ways to use budgeting for profit planning should refer to the list of references included in the aid. Copies of this aid are available free from field offices and the Washington headquarters of the SBA; telephone 202/382-1891.

TREASURY, DEPARTMENT OF

A major study of certain administrative procedures of the IRS will commence in the near future. The Administrative Conference of the U.S. has announced that the study will be under the supervision of the Chairman of the Conference, Antonin Scalia, assisted by Prof. Charles Davenport of the University of California Law School at Davis. Don J. Summa, CPA, is one of the members of the Steering Committee. The study is expected to be completed by the summer of 1975. For further information, contact the Conference at 202/254-7020.

Proposed amendments to conform the Income Tax Regulations to section 981 of the Internal Revenue Code of 1954, relating to the treatment of income subject to foreign community property laws, as added by section 105(e) of the Foreign Investors Tax Act of 1966, have been issued (5/15/74 Fed. Reg., p. 17323). Comments should be submitted by June 14, 1974.

"Private Foundation" hearings began again this past week. Sen. Vance Hartke (D-Ind.), Chairman of the Subcommittee on Foundations reprinted his opening remarks, which included a general outline of what his committee expected to achieve, in the 5/14/74 Cong. Record, at page S7982.

SPECIAL: 15th ANNUAL REPORT OF THE ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS (ACIR)

"ACIR: The Year in Review" is available and represents the 15th Annual Report of the ACIR. It provides an overview of the work of the Commission which in 1973 centered on governmental problems below the state level and the forces that act on them from all levels--federal, state and local. A major undertaking was a request by the Congress for a commission study on state taxation of banks and savings institutions. As the supply permits, single copies of this report may be obtained without charge from the ACIR, Washington, D.C. 20575; telephone 202/382-4953.

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